

3.1 Purpose and Scope (see page 2)

3.2 Timing

- (a) Commencing with the fiscal year ending with November 30, 1997, NFs are to furnish required cost studies to the New Jersey Medicaid program within 90 days of the close of each fiscal year. For rate review purposes, the period for which these actual data are reported will constitute the "base period" for establishing prospective per diem reimbursement rates commencing six months after the end of the base period. These rates will not be subject to routine retroactive adjustments except for matters specified in the Guidelines. As required by Federal Regulations at 42CFR 447.304, prospectively determined payment rates will be redetermined at least annually.
- (b) Where cost studies, and other required documents, are received beyond the 90-day filing requirement, the following schedule of penalties will be applied to current and/or subsequent reimbursement rates as the particular circumstances dictate:

Number of Days After Due Date	Amount of Penalty	Month(s) of Penalty
1-5	\$.25 per patient day	1st Month
16-30	\$.50 per patient day	1st Month

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31-60	\$.50 per patient day	1 st Month
	\$1.00 per patient day	2 nd Month
61-90	\$.50 per patient day	1 st Month
	\$1.00 per patient day	2 nd Month
	\$2.00 per patient day	3 rd Month
91 and thereafter	\$.50 per patient day	1 st Month
	\$1.00 per patient day	2 nd Month
	\$2.00 per patient day	3 rd Month
	\$3.00 per patient day	4 th and subsequent Months

- (c) Penalties will remain in force until such time that a cost report and other required documents, completed in accordance with "Care" guidelines, have been received. Penalties are not recoverable and are not allowable costs.
- (d) The Director, Division of Medical Assistance and Health Services, or a designee of the Director, may mitigate or waive the penalties specified in (b) above, for "good cause" shown:
1. "Good cause" shall include, but shall not be limited to, circumstances beyond the control of the nursing facility, such as fire, flood or other natural disaster;
 2. Acts of omission and/or negligence by the nursing facility, its employees, or its agents, shall not constitute "good cause" for waiving the penalty provisions;

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2. Acts of omission and/or negligence by the nursing facility, its employees, or its agents, shall not constitute "good cause" for waiving the penalty provisions;
 3. All requests for mitigation and/or waiver of the penalty provisions must be submitted in writing, and accompanied by such documentation and/or supporting affidavits as the Director may require.
- (e) The penalty rates indicated in (b) above will be applied to cost studies commencing with the reporting periods ending May 31, 1980.
- (f) A nursing facility cost report cannot be substituted or revised by a NF except during the 30 calendar days after the original due date of the cost report to the Department of Human Services, Division of Medical Assistance and Health Services, Nursing Facility Reimbursement. However, such substitution can be made if it would prevent an overpayment to the NF.

3.2 Rate components

- (a) The prospective rates will be "screened" rates per day calculated by applying standards and reasonableness criteria ("screens") for three classes of NFs:

1. Class I Proprietary and Voluntary NFs:

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2. Class II Governmental NFs:

- i. To qualify as a Class II Governmental NF, the NF must meet all of the contractual requirements of the Division of Medical Assistance and Health Services and be a

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governmental operation.

3. Class III (Special Care) Nursing Facilities (SCNFs)

i. To qualify as a SCNF, the NF must meet all of the contractual requirements of the Division of Medical Assistance and Health Services and be approved by the Division as a SCNF.

ii. SCNFs shall be grouped by the following types for separate screening purposes:

- Ventilator/Respirator
- TBI/Coma
- Pediatric
- HIV
- Neurologically Impaired (NIP)
- Behavioral Management

(b) The "screens" will be applied to the following five rate components as identified on reporting Schedule A:

1. Raw Food Costs;
2. General Service Expenses;

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3. Property-Operating Costs;
4. Patient Care Expenses;
5. Property-Capital Costs (including return on investment).

(c) Reimbursement for therapy services will be made as follows:

1. For Class I and Class II programs, reimbursement will be made for physical, speech, and occupational therapy services provided to Medicaid patients for treatments which are not reimbursable by any other third party payor.
 - i. A per diem will be calculated for each facility by (a) multiplying the number of otherwise unreimbursable base period Medicaid patient therapy sessions by \$7.00 and (b) dividing the product by the total number of base period Medicaid patient days.
2. For Class III programs, all therapy costs for other than respiratory therapy will be reimbursed by a per diem calculated by dividing total base period therapy costs for Medicaid patients (less recoveries for Medicaid patients) by total base period Medicaid patient days for each facility.

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3. Respiratory therapist services (salary, fringes and/or fees) will be reimbursed to all Class III programs by dividing base period respiratory therapist salary, fringes, and/or fees for respiratory therapist services, by total actual base period patient day.

(d) The development of the "screens" for Class I, Class II, and Class III NFs includes the governmental NFs' and SCNFs' reported costs and statistics in the following areas:

1. Administrator
2. Assistant Administrator
3. Median days per bed

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- (e) Administrator and assistant administrator screens determined by (d) above, for NFs which combine Class I or Class II, and Class III programs will be allocated in the ratio of applicable (i.e. Class I or Class II or Class III) patient days to the total NF patient days.
- (f) The screen for each cost component of a Class III NF administered by a governmental facility will be the screen established for the Class III NF and not the Class II governmental screen.
- (g) A provision for inflation will be added to reasonable base period costs in calculating the prospective rates as described in section 3.19.
- (h) All lease costs incurred as a result of related party transactions, will be excluded for reimbursement purposes.

1. A "related party" is defined in the "CARE" guidelines under

Schedule F as:

- i. A corporation, partnership, trust or other business entity:

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- (e) Administrator and assistant administrator screens determined by (d) above, for NFs which combine Class I or Class II, and Class III programs will be allocated in the ratio of applicable (i.e. Class I or Class II or Class III) patient days to the total NF patient days.
- (f) The screen for each cost component of a Class III NF administered by a governmental facility will be the screen established for the Class III NF and not the Class II governmental screen.
- (g) A provision for inflation will be added to reasonable base period costs in calculating the prospective rates as described in section 3.19. Finally, a working capital provision will be added as described in section 3.20.
- (h) All lease costs incurred as a result of related party transactions, will be excluded for reimbursement purposes.
1. A "related party" is defined in the "CARE" guidelines under Schedule F as:
- i. A corporation, partnership, trust or other business entity:

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(1) Which has an equity interest of 10 percent or more of the facility;

(2) Which has an equity interest of 10 percent or more in any business entity which is related by the definition in (h)1i(1) above or which has an equity interest of 10 percent or more in any business entity related by (h)i(2) of this section; or

(3) In which any party who is a related party by any other definition (above or below) has an equity interest of 10 percent or more and which has a significant business relationship with the home.

ii. An individual:

(1) Who has a beneficial interest of 10 percent or more in the net worth of the home; or

(2) Who has a beneficial interest of 10 percent or more in an entity related by (h)1i(2) or (3) above; or

(3) Who is a relative of an individual who is related

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